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# Office record and control for insurance agents and brokers

American System Company

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# OFFICE RECORD AND CONTROL

FOR

*Insurance Agents and*  
*Brokers*



AMERICAN SYSTEM COMPANY

MERCANTILE  
MANUFACTURERS

SYSTEM  
BUILDERS

INSURANCE AND  
KINDRED TRADES

Executive Offices, ROANOKE, VIRGINIA





**RECORD KEEPING**  
**AND**  
**ACCOUNTING METHODS**  
**FOR**  
**Insurance Agents and**  
**Brokers**



**AMERICAN SYSTEM COMPANY, Inc.**

INSURANCE AND      SYSTEM      KINDRED TRADES  
BUILDERS

**Executive Offices, ROANOKE, VIRGINIA**

# AMERICAN AGENCY ACCOUNTING SYSTEM

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ITS METHODS *of* ACCOUNTING *and*  
RECORD KEEPING

FOR

*Insurance Agents and Brokers*



“Time of all Things is the Most Precious, Wasting of Time is the Greatest Extravagance.”

AMERICAN SYSTEM COMPANY

A CORPORATION

INSURANCE AND SYSTEM BUILDERS KINDRED TRADES

*Executive Offices, ROANOKE, VIRGINIA*



## INTRODUCTION

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Insurance Agents and Brokers, whose lasting success is best measured by the thoroughness with which their trade and profession functions, apparently need a more orderly process of accounting and record keeping. The hit-and-miss methods of finances and the resultant cost and worry, a continual search and confusion of records, and an unnecessary waste of clerical time are conditions from which business typical of an Insurance Office greatly suffer.

There are two contending factors in the business, one underwriting, the other record keeping, with each dependent upon the other. Underwriting, through its attended field of technical supervision, has reached at least that degree of thoroughness where all concerned appear very generally content. But, the factor most neglected and of most concern to Agent and Broker is a satisfactory solution of record-keeping; a system that will encourage greater efficiency, increase production and profits, conserve effort and cost of upkeep is the utmost need.

Therefore, it is the purpose of this work to treat upon the methods of accounting and record-keeping as embraced in the American Agency Accounting System, recognized by authorities as an efficient, economical system of record-keeping and accounting for Insurance Agents and Brokers: Its elements are the essence of much thought, and grateful acknowledgment is rendered to those who gave of their time and contributed by criticism or suggestion in making for the system a thorough method by which it is hoped Agents and Brokers may acquire more complete records, a better detail and control, with less effort than has heretofore been obtained.

THE COMPILER.

# ACCOUNTING AND RECORD KEEPING

A system of Accounting and Record-keeping designed to collate and tabulate unusually well the enormous amount of detail peculiar to the business of an Insurance Producing Organization has been the aim of the American Agency Accounting System.

To this end, no effort has been spared in bringing together only such methods as will produce genuine efficiency, before attempting to place this system of accounting on the market.

The American System is so designed as to function thoroughly upon any and every transaction, whether the nature of such be insurance writings, policy refunds, property purchase and sale, loss or gain, commission transactions, receipts and disbursements. The results obtained from its use will be found to be equal to those obtained from the most expensive and technical supervision.

The arrangement of the various forms making up this system, as treated on in the following pages, is such that when used as a whole they automatically distribute and thoroughly classify every record necessary, and further, the methods to pursue will be found so clearly stated and explained in the instruction notes and references printed on each form as to require no previous knowledge of bookkeeping in either its installation or maintenance.

In treating upon each of the various forms prescribed and the methods to pursue, actual copies of the forms and their fac-similes are attached and become part of the exhibits herein shown.

The inclusion of elemental matter is considered necessary, in order that each subject may be complete.

**DUPLICATE DAILY REPORT**—The basis of an insurance transaction is the Duplicate Daily Report, a copy of the written portion of the contract, from which starts Insurance Office Accounting and Record-keeping. The filing of such records may be done in such way as best suit the individual office, whether arranged by expiration or in alphabetical or numerical order, and with the use of either filing devices or the customary policy register. While the arrangement or design of these forms or the methods employed in filing them in no way affect the proper functioning of this System of Accounting, these records are important, and for satisfactory accessibility, the use of standard vertical filing, with the Daily Reports of each Company kept together and arranged by date of expiration, is recommended.

**ENDORSEMENTS**—Changes in the written portions of the contracts, or frequent and unusual extensions of coverage or waiver of conditions presents many preplexing problems to an Insurance Office in keeping track of the outstanding contracts. From this source of detail, every exigency arising is thoroughly and automatically taken care of in The American System and is in no way affected by the methods of filing, which necessarily accord with those used for the Daily Report.

**METHODS OF ACCOUNTING**—The forms embraced in this System of Accounting and Record-keeping have practically eliminated the lost motion and confusion so characteristic of an Insurance Office, in that every phase of accounting and the essentials of underwriting are so efficiently and thoroughly recorded that reference to any record or detail may be made with absolute assurance of the correctness of the record.



# BILLING

To make Record-keeping thorough and simple and to provide all detail necessary for the individual Insurance transaction, in the mere effort of making the customer's invoice, has been one aim in the preparation of this System. The invoice form designed and prescribed for use in this System is an attractive and business-like form, with duplicate and triplicate forms imprinted on both sides, perforated and folded and so arranged that from the mere effort of billing from one to fifteen policy transactions, the individual effort multiplies itself many times.

The making of an invoice is necessary for every transaction, and from it two additional records are obtained, the duplicate serving the purpose of (1) A Posting Voucher, (2) The Customer's Active Ledger Account, (3) The Customer's Line Record. The triplicate form serves the purpose of (1) The Expiration Record (filed by date of expirations), and (2) Renewal Order (used in soliciting the renewal of the policy at expiration). Detail explanations of the use of these forms will be found in the following pages.

Invoice—Fig 1

**THE INVOICE**—The invoice should be entirely completed by the Policy Writer, thus saving the time of someone else in reading and recording the essentials of the transactions. In the Abstract, only such facts as pertain to the transaction are recorded, and will serve the purpose of a letter to the Assured. The recording of "numbers" on the Invoice form, as may be observed later on, represents the commissions involved with the Broker and Company. The columns headed "Our Number" and "Broker and Number" on the customer's invoice are changed to "Our Com." and "Broker and Com." on the duplicate forms. This is for the information of the bookkeeper in entering the policies on the Company Account Current and the Broker's Account Current.

Duplicate of Invoice showing both sides of form.  
Fig. 2

**THE DUPLICATE OF THE INVOICE** is the only form handled by the bookkeeper, except the Endorsement Record referred to later on. Immediately after the billing of the policy is completed, the duplicate (see Fig. 2) is passed to the bookkeeper who records the transaction on the Company Account Current (also on the Broker's Account Current, if the transaction is one in which a broker, sub-agent or solicitor is involved). After the transaction is duly recorded on the accounts current and the "folio" reference recorded thereon, this Duplicate form is ready to serve the purpose of the Assured's Active Ledger Account. This form is punched for filing in the prong binder labeled "Active Accounts," where it remains, until paid, in alphabetical order and arranged by assured's name for easy reference. On the reverse side of the form a space is provided for the recording of the customer's remittances. When the account is fully paid, the sheet is removed from the Active Account file and is placed in Assured's Line and Account folder (see Fig. 3) and is filed alphabetically, forming the Assured's Line Record. It will be noted that each customer's business will be found in a folder, bearing his name at the top. This permits quick reference to any customer's Line File, and obviates the necessity of making any additional records other than the invoice which accompanied the policy. By studying the forms themselves, in connection with this explanation, the reader should be able to correctly understand the procedure to be followed.

Fig. 3

## BILLING---Continued

Triplicate of Invoice showing  
both sides of form.  
**Fig. 4**

THE TRIPLICATE OF THE INVOICE, as shown in the illustration (Fig. 4) should be filed immediately following the issuance of the policy, to remain undisturbed until reached by natural expiration, unless cancellation or change of term is made. Thirty days before the expiration, the daily reports should be removed from the company files and the Expiration Records compared with the dailies to determine whether all expiring policies have been removed from the files. On the reverse side of this form is a blank order for the renewal, with all necessary data automatically recorded for follow-up, except the existing or renewal rate, which may be noted thereon by the underwriting department—and this form, having already served as an expiration record, is again used by the man who is to interview the policy-holder, and saves him much confusion and loss of time in the solicitation of the maturing contract, since all important facts connected with the original contract are before him, as illustrated. The daily reports should be held in suspense until expiration or to five days prior to expiration, when the transaction with the broker or solicitor should be closed. On or before the expiration and after the renewal order has been returned, if the line is to be dropped, notify the Assured by mail and file the renewal record for the further solicitation of the lost line.

## ENDORSEMENTS

If confusion and loss of time are to be entirely prevented in keeping track of policy changes, with every endorsement issued there must be made a complete memorandum, setting forth the nature and essential facts pertaining to whatever change is made in the original records.

Dr.-Cr. Memo.  
**Fig. 5**

THE DEBIT-CREDIT MEMORANDUM, the form prescribed for use by this system in keeping a thorough check on all policy changes (Fig. 5), will serve for all endorsements and cancellations. This form is printed on paper of a distinctive color, and its arrangement is such that it will serve as an invoice where additional charges are created, or as a credit memorandum when a refund is made, and in every respect serves the purpose of a letter, when used in the delivery or acknowledgement of an endorsement or policy cancellation. This form should be handled in the same manner as the Posting Voucher (duplicate of the invoice), with the abstract of the transaction, including the commission arrangement, entirely completed by clerk handling transactions of this nature.

The arrangement of this form, as illustrated in Figs. 5 and 6 is in many respects similar to the invoice form already explained (compare Figs. 5 and 6 with Figs. 1 and 2) and from its use much is accomplished in dealing with Company, Broker and the Assured, in the prompt collection of additional premiums, the follow up and solicitation of expiring contracts, a perfect check on premium refunds, and the entire elimination of errors with all concerned.

THE DUPLICATE MEMORANDUM, like the Duplicate of the Invoice, is used by the bookkeeper in entering the transaction of the Company's and the Broker's Account Current, after which it is placed in the "Active Account" binder either as an additional premium charge or as a Credit Memo. covering a return premium allowed the assured. In the case of an additional premium charge, the voucher remains in the "Active Accounts Binder" until paid by the Assured.



## ENDORSEMENTS---Continued

The figure shows two forms. The top form is titled "ENDORSEMENT-CANCELLATION MEMORANDUM" and contains fields for "Particulars", "Abstract", "Refund Voucher", and "Endorsement". It has a large table with columns for "Date", "Description", "Amount", "Balance", "Date", "Description", "Amount", and "Balance". The bottom form is titled "ASSURED'S AUXILIARY ACCOUNT" and contains fields for "Assured's Name", "Policy No.", "Term", "Premium", "Commission", "Expenses", "Balance", "Date", "Description", "Amount", and "Balance". It also has a large table with columns for "Date", "Description", "Amount", and "Balance".

Fig. 6

Duplicate of the Dr.-Cr. Memo. form showing both sides, that controls endorsements of whatever descriptions, Cancellations, Collections, Refunds and serves as an Auxiliary to the Assured's Line Record and Account.

On refund transactions, where the assured has paid the original premium in full, a check should be drawn to his order for the amount involved, and the check, when posted, will clear the account. On refund transactions, where the assured has not paid the original premium, the voucher is retained in the "Active File" as a CREDIT to the customer's account, and is removed from the file, only after the balance has been fully paid.

When the account has been paid, the Duplicate Memorandum forms an auxiliary record for the Assured's Line Record, and should be filed in accordance with the Instructions given in connection with the duplicate of the invoice.

Care should be taken to re-arrange the expiration records when endorsements are made affecting the term of the policy, or for cancellations.

The purpose of the abstract and memorandum is to bring together the essentials of the endorsement in recording its nature on the Assured's Line Record and Account, to avoid commission errors, discrepancies and correspondence with Company, Broker and Assured, and for the follow-up and solicitation of expirations.

The reader should procure samples of this form and study the instructions printed thereon, and make comparisons of its design and instructions with the design and instructions on the Invoice form.

## COMPANY'S INDIVIDUAL RECORDS

A decided advantage is obtained from the use of a form designed to serve the purpose of three, without the necessity of transferring from one record to another a satisfactory description of every transaction, in such a way as to prevent endless correspondence, discrepancies and the loss of time usual to meeting the record keeping and reporting requirements of the Home Office Accounting Departments.

**ACCOUNTS CURRENT**—Three forms of Account Current have been designed to meet the requirements of the various Insurance Company Home Office Accounting Methods. Each of these forms are so arranged as to provide a complete abstract and account of every transaction to fit the individual requirements of the company for whom such records are kept.

Whichever form is used, the Office Record and Accounts Current for each Company are both made from the periodic postings of the duplicate copies of the Customer's invoice. (See Fig 2 and instructions). The original copy is summarized, detached and mailed, preferably on the last day of the month, thus saving the time usually required in transferring the transactions from the monthly abstract of business written, or similar record, to the prescribed reporting forms of each Company.

With the use of the Posting Vouchers in connection with these forms, it will be observed that no time is required for the reading of the Daily Reports necessary in the completion of the usual monthly abstract, and from such methods of recording and reporting the business of each Insurance Company for any given period, the frequent omission of transactions and commission errors, except in case of gross neglect, should be entirely eliminated.

## COMPANY'S INDIVIDUAL RECORDS---Continued

The Casualty Company reporting forms prescribed for use and shown in illustrations 8 and 9 should first be submitted to the various Casualty and Surety Companies represented, that they might select the form they find to synchronize with their individual requirements, in order that confusion and loss of time may be prevented.

Fig. 7

tained by the agent as his abstract of the Company's business for that month. A controlling ledger sheet should be kept behind each company's monthly accounts, and the balances due the company, or due the agent, transferred thereto at the close of each month's business. Subsequent remittances to the company will be entered to the ledger account, and also noted on the abstract.

**THE FIRE COMPANY ACCOUNT CURRENT**—This form is designed to meet the Standard of the National Board of Fire Underwriters as to arrangement and size. It is provided with folio posting column necessary for thorough record keeping. The postings may be entered on every line or spaced to suit the individual office, but in either case, the premium columns are arranged to fit the tabulating machines designed for the Standard Account form.

As previously explained, under billing procedure, the policy transactions are entered on the Company Account Current from the Duplicate of the Invoice as they occur. The account is summarized at the end of the month, the original sent to the Company, and the duplicate is re-

Fig. 8

**THE COMBINATION ACCOUNTS CURRENT—Individual Commission Extension:** This form is intended primarily for the use of Casualty, Surety and Life Insurance Companies, arranged for the extension of commission on each transaction, rather than the computation of the aggregate of a given class. This form has been found to be acceptable to practically all Casualty and Surety Companies, and can be used for reporting any class. The posting procedure is the same as for the Fire Form.

**THE COMBINATION ACCOUNTS CURRENT—Collective Commission Extension:** The additional columns provided for Commission distribution as shown on this form are intended for use by either Fire, Casualty or Surety companies. In many offices, this is the only form in use, due to its adaptability for any class of business. While it will function thoroughly for the Office, its use may cause confusion in the Home office Accounting Departments whose methods are at variance with this design. The methods to pursue in posting from the Duplicate Invoices and Duplicate Memo forms are the same as for the Standard Fire Form.

Fig. 9



## COMPANY'S INDIVIDUAL RECORDS---Continued

**OFFICE ABSTRACT**—After postings to either of the three forms herein shown have been made as prescribed, the original (Accounts Current) totaled, summarized, detached and forwarded to the Company, the duplicate copy then becomes a permanent loose-leaf ledger record, thereafter supporting the Controlling Account for each individual company.

**INDEXING THE COMPANY ACCOUNTS**—The index arrangement of the Company Accounts is unequalled for convenience. "Open Window" style index tabs securely attached to extra heavy ledger stock are used to index the Company Records, by direct name. When the entire system is in use, the Company Accounts are kept in the General Ledger binder. When the Account Current System is adopted alone, the Company Accounts are kept in a sectional post transfer binder illustrated in Fig. 13.

From the methods prescribed for use by this System and shown in the foregoing Illustrations, it will be observed that Company record-keeping is accomplished with the least possible effort, and is not affected by the number of Companies represented nor by the number of Brokers and Sub-Agents served.

By these methods, any number of transactions may be affected any number of months ahead by inserting the required number of Accounts Current in the Company section of the Ledger for use as the months are reached, thus preventing remittances, being made on transactions which are affected in months following.

## BROKER'S AND SUB-AGENT'S INDIVIDUAL RECORDS

To prevent the loss of commission on premium refunds and policy cancellations when controlled by Brokers, Sub-Agents and Solicitors, and to serve well everybody concerned, the Abstract and Account Current form designed for brokerage writings, and illustrated below, will be found a very efficient record and one that requires the least possible effort to maintain.

The illustration shows a ledger form with a header section for 'Office Imprint and the Address' and a main body with columns for 'Date', 'Description', and 'Amount'. A separate section on the right is labeled 'ASSURED'S ACCOUNT' and contains a grid for recording transactions. The form is designed to be used as a permanent loose-leaf ledger record.

Fig. 10

**BROKER'S OR SUB-AGENT'S ACCOUNTS CURRENT**—This form is so arranged as to provide a clear record for the Broker or Solicitor whose transactions are on straight commission, on salary and drawing account, or for those who are responsible for the collection of premiums, less commission. Those who have the collection of premiums embraced in their contract, must be debited (charged) with all premium transactions and credited with the agreed commission and on any and all refunds to clients of such Broker or Solicitor must be credited with the return premium and debited with the return brokerage commission. The Broker's account will show the net premiums for which he is responsible and he should be required to remit for these accounts monthly or at the same intervals the

agent himself must remit to the Companies. The Assured's Account that is to be collected by the broker is not carried in the Active Account Binder, as explained on Page 3 under "The Duplicate of the Invoice," but should be placed in the Line Record Folder after first being entered on the Company's and the Broker's Account Current. It is also recommended that the Line Record of Broker's and Sub-Agent's business be maintained with the Broker or Sub-Agent, rather than with the Assured.

The Accounts with salary or commission workers instead of showing the net premiums due from the Broker, will show the net commission to be paid him by the agent. If these commissions are not to be paid until the premiums are collected, the collections of such premiums are recorded in the last column to the right and the commission involved paid to the solicitor or broker. This should prevent entirely the loss of commissions actually paid on transactions usual to the local brokerage business, and provide at any time a complete abstract and account with each Broker, Solicitor or Sub-Agent.

# CONTROLLING RECORDS

The cost of guess work and the resultant financial worry incident to hit-and-miss methods can best be prevented by means which will automatically analyze, indicate and determine for the executive head a positive course by which his business may be safe-guarded.

It is therefore essential to every business, regardless of its nature, to maintain ways and means by which the controlling factors may be brought together in such a form as to clearly and plainly present a true condition of affairs, in order that the business may operate efficiently and without financial worry.

**CONTROLLING LEDGER FORM**—The General Ledger Form, illustrated under Fig. 11 is not unlike the usual double entry ledger form, but for convenience it is designed to fit the same binder in which the Accounts Current and Brokerage Accounts are kept.

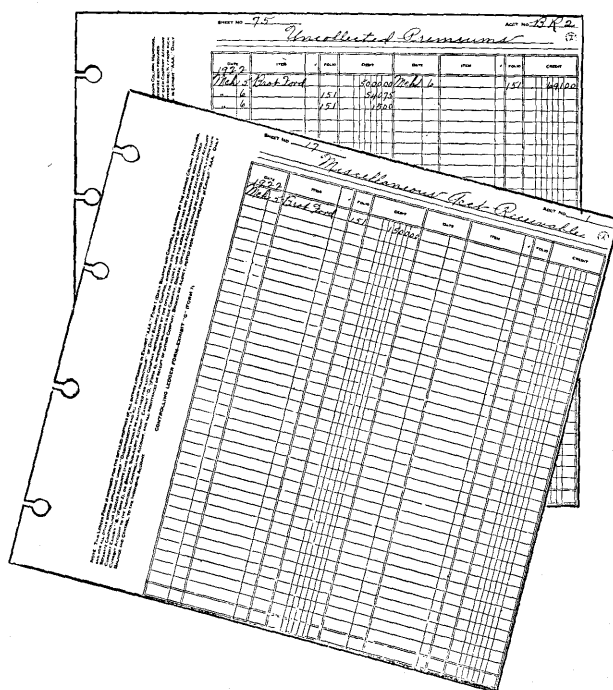


Fig. 11

The time required in the upkeep of these records is so negligible as to invite no objection whatever, when considering their usefulness in the absolute control of every important factor and the convenience of recording the true history of the business from the Journal, which automatically brings together and classifies in the aggregate, all transactions peculiar to the business of an Insurance Office.

**THE CLASSIFICATION OF ACCOUNTS**—A complete classification of the General Ledger accounts is provided in the AMERICAN SYSTEM. Each account is numbered and named to correspond with the classification as shown on the Financial Statement form, Fig. 21.

**INDEXING THE GENERAL LEDGER**—The index arrangement of the General Ledger is very convenient for quick reference. The accounts are divided into four sections by an open-window style index. The asset accounts, numbered 1 to 14, are grouped under one tab labeled "Assets." The Income accounts, in like manner, are grouped under the next tab. Next comes the Expense section, giving a complete analysis of expenses. The last section is devoted to the Liability accounts.

The procedure to be followed in posting and the class of transactions to be recorded in the various accounts will be apparent from a study of classification of accounts shown on the Financial Statement form, Fig. 21. The accounts that might cause confusion to the layman are explained fully, in connection with the various Journal Forms, on Pages 11 to 24.



## CONTROLLING RECORDS---Continued

**LEDGER**—For security and satisfactory accessibility, there is no better method known than the Loose Leaf Ledger in keeping together important account records. The Ledger used with the American System and illustrated below is especially designed to withstand constant use and to retain both indexes and sheets in a uniform position. The General Ledger Controlling accounts, Accounts Current, Brokerage and Miscellaneous accounts are all kept in this Ledger, except in rare cases where the volume of business is so great that it is necessary to separate these records and place them in different binders.

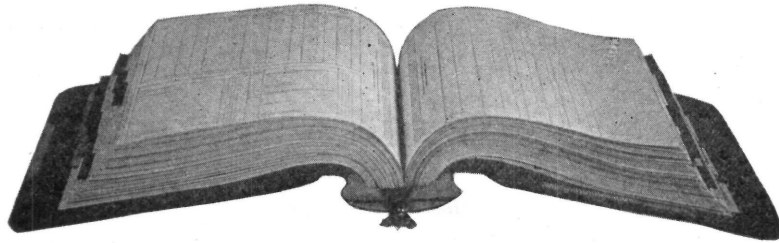


Fig. 12

**TRANSFER BINDERS**—There are three transfer binders prescribed for use by this System for the storage of inactive accounts. One indexed and arranged for inactive Controlling and Miscellaneous accounts, another indexed by direct name for the keeping of inactive Company Abstracts, and the third arranged in the same manner for Broker's Sub-Agents' and Solicitor's Accounts.



Fig. 13

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## ASSEMBLAGE AND DISPOSAL OF FIGURES

The time wasted in bringing together from numerous and complicated records a complete survey of all business activities and the skill required in determining the correctness of all transactions consummated for a stated time, the maintenance of complicated records, and the loss of time in the proper classification and distribution of all transactions peculiar to the business of an Insurance Office, are the difficulties removed by the use of the forms illustrated in the following pages.

## ASSEMBLAGE AND DISPOSAL OF FIGURES---Con.

These forms are so arranged that they bring together, in a clear and concise form, a description of every transaction occurring for a given period. This is done in such a manner that without the loss of time usual in journalizing each transaction, it automatically distributes, classifies, and proves the correctness of the assemblage of business transactions for any length of time as effectively and thoroughly as could be done under the supervision of a seasoned accountant.

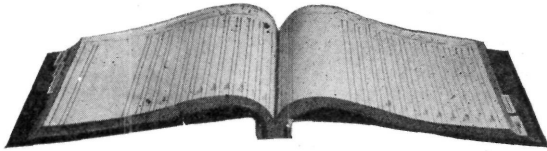


Fig. 14

**THE JOURNAL**—The American Journal is designed by Insurance Accountants to set up, in an understandable way, the figure facts essential to the successful operation of an up-to-date Agency. It prevents confusion, loss of time, and inaccuracy. There is a place for everything, and full instructions, on each form, for putting everything in its place.

This journal is equipped with a five division celluloid tab index. The various forms are specifically designed to receive and set up analysis of Cash Received; Cash Disbursements; Recap. of Underwriting Operations; Recap. of Brokerage Operations; Coulmnar Journal for adjusting entries, and Business Statement that reveals the vital facts about the business. Each of these forms is illustrated and discussed in the following pages.

**CASH RECEIPTS**—The Cash Received form, illustrated in Fig. 15 is 13" x 15" and has eleven columns for the distribution and analysis of Cash and Notes received transactions. Through the use of this form totals are posted to the various accounts affected, and tedious detail posting is eliminated. At the bottom of each column instructions are printed, indicating the proper column of the Perpetual Statement Journal and the proper Ledger account that should receive the total from that column.

On the illustration of this form (Fig. 15) will be found several representative transactions which occur daily in the average Insurance Agency. These transactions, when studied in connection with our explanations, should give the reader a clear understanding of the proper use of this form.

**TRANSACTIONS Nos. 1, 5, 6 and 9**—The first, fifth, sixth and ninth transactions illustrate the class of transactions which occur most frequently, and are recorded in this form, viz; the collection of premiums in Cash from customers.

**TRANSACTION No. 2**—The nature of this transaction differs slightly from those illustrated above, in that the premium collected in this case was paid partly in Cash, and a Note taken for the balance due.

**TRANSACTION No. 3**—This shows the proper method of recording the collection of a note, previously given in payment of a premium, together with the interest accruing on the note.

**TRANSACTIONS Nos. 4, 7 and 10**—These transactions represent deposits, made in the First National Bank, of Cash collected on January 1, 2, and 3, respectively. It will be observed that the deposits of Cash actually collected at the office are recorded in both Columns 10 and 11. By reference to the instructions at the foot of these columns, we find that the total from No. 10 is to be Debited (charged) to Ledger account No. 3, which is the account with the Bank. On the other hand the total from No. 11 is to be Credited to Ledger account No. 2 which is Cash On Hand. (See instructions in Column No. 1 also). Thus, the effect of entering the deposits in both columns is to Debit the Bank, and Credit the Cash On Hand Account with the amounts of the deposits.

**TRANSACTION No. 8**—This illustration records the collection of a balance due from one of the Sub-Agents, Alfred & Lewis. Refer to Fig. 20 which shows this item included in the opening entry as due from Brokers.

**TRANSACTION No. 11**—In many Insurance Agencies the practice of discounting, at the bank, notes taken in payment of premiums, is employed as a means of financing to such an extent that no system of accounting is complete that does not provide for the handling of such transactions efficiently.

# ASSEMBLAGE AND DISPOSAL OF FIGURES---Con.

It will be observed from the illustration that the amount realized from notes discounted is entered in Column No. 10 only, while the other deposits illustrated in Nos. 4, 7, and 10 are entered in both Columns Nos. 10 and 11. The amount realized from discounting the note was not collected in Cash and later deposited, but was credited by the Bank to the Agent's account. So it is proper to charge the amount direct to the Cash-In-Bank account rather than show it as Cash collected and then make an additional entry showing it deposited in the bank. Read our comments on Transactions Nos. 4, 7 and 10 again in connection with this paragraph.

CASH RECEIVED															1
MONTH OF January 1924															
	DATE	NAME	Folio	CASH RECEIVED	PREMIUMS COLLECTED	BROK. BAL. COLLECTED	NOTES ACCEPTED	NOTES COLLECTED	INTEREST COLLECTED		NOTES DISCOUNTED	DISCOUNT PD. BANK	TOTAL BK. DEPOSITS	CASH DEPOSITED	
1	Jan 1	J. H. Williams a/c in full	✓	30.00	30.00										
2	" 1	Wm. James Bal. of a/c	✓	11.00	23.50		12.50								
3	" 1	H. M. Smith Note of 11/1/23		50.50				50.00	.50						
4	" 1	First National Bank											170.50	170.50	
5	" 2	Frank J. Hall on a/c	✓	15.00	15.00										
6	" 2	Southern Supply Co. a/c in full	✓	263.00	263.00										
7	" 2	First National Bank											278.00	278.00	
8	" 3	Alfred & Lewis	✓	156.63		156.63									
9	" 3	Frank J. Hall Bal. of a/c	✓	30.00	30.00										
10	" 3	First National Bank											186.63	186.63	
11	" 4	First Nat. Bank - W. Jones Note 11/24									125.00	1.50	123.50		
Totals Carried Forward To Journal #1				655.13	673.00	156.63	125.00	50.00	.50		125.00	1.50	778.63	655.13	
				21	21	21	21	21	21		21	21	21	21	

Fig. 15

## ASSEMBLAGE AND DISPOSAL OF FIGURES---Con.

**DISBURSEMENTS**—The many advantages of making all major disbursements by check, and the maintenance of a Petty Cash fund for making petty disbursements, are so well recognized by business men in all kinds of business as to require no comments in this booklet. This practice is very essential in the keeping of orderly and accurate records of disbursements.

The American System provides a columnar form (Fig. 16) for the distribution of all classes of expenditures. The multi-column form gives ample space for setting up special headings. A column is provided for each class of expenditure, thus the tedious detailed posting of expense items is entirely eliminated.

It will be observed from Fig. 16, Page 14, that at the extreme left of the form, space is provided for recording Deposits, Bank Balance, and Daily Totals of Checks issued. This is intended for memorandum space only, and does not in any way affect the recording and distribution of disbursements. This part of the record can, therefore, be kept up or left off at the discretion of the user.

In the following illustrations we have taken several representative transactions, which might occur daily in any Insurance Office, and have recorded them in the proper manner. From a study of these transactions and explanations the reader will be able, at once, to understand the proper method of recording various classes of transactions.

**TRANSACTION No. 1**—The proprietor's first step, after completing the installation of his American System, is to put into operation the Petty Cash fund, recommended in the first paragraph under the caption "Disbursements." The check is drawn to the order of the cashier, and a special column is opened for Petty Cash, in the Disbursements Record.

**TRANSACTIONS Nos. 2, 3 and 4**—The second, third and fourth transactions illustrate the proper method of recording remittances to the Insurance Companies for balances due. It will be noticed that these items are "checked" in the folio column. This indicates that the amount has been posted to the individual account with the Company. The total of the column is posted, in accordance with the instructions, to the Controlling Account. In this manner the Accounts Payable Account No. 46, exercises a control or check on the totals of the various individual Company accounts.

**TRANSACTION No. 5**—This transaction illustrates the proper entry to record refunds to policy-holders who have paid their account in full prior to the execution of the endorsement or cancellation bringing about the refund. Items of this nature must be posted to the Customer's Active Account in the manner indicated on Page 6, in the section devoted to Endorsements.

**TRANSACTIONS Nos. 6, 7, 9, 11 and 12**—These transactions are all alike in that they illustrate the payment and distribution of expense items. It will be noticed that in making payment of the Office Supply Company's invoice, transaction No. 9, discount was taken from the face of the invoice. The gross amount is charged to the proper expense account, and Discount account (An income account) is credited with the amount of discount taken.

**TRANSACTION No. 8**—The eighth transaction records the payment of a note held by the bank, with interest. By referring to the Opening Entry in the Journal, Fig. 20, it will be seen that this item was listed as Notes Payable on January 1st.

**TRANSACTION No. 10**—This transaction records the payment to A. Williams, a solicitor working on straight commission basis, covering commissions earned by him during the month of November, 1923. Items of this nature, like company remittances and refunds to policy-holders, must be posted to the individual account with the solicitor.



## ASSEMBLAGE AND DISPOSAL OF FIGURES---Con.

RECORD OF CHECKS DRAWN ON First National BANK															
DATE	Folio	AMOUNT OF DEPOSITS	BANK BALANCE	DAILY TOTALS	AMOUNT OF CHECK	DATE 1924	DRAWN TO THE ORDER OF	CHECK No.	Folio	ACCOUNTS PAYABLE	NOTES PAYABLE	PREMIUMS RETURNED			
					50.00	Jan. 1	Mrs. Smith, Cashier	256							
					263.50	" 1	Adams Ins. Co., Nov. Bal	7	✓	263.50					
					156.50	" 1	Horne Ins. Co. " "	8	✓	156.50					
					750.00	" 1	Travelers Ins. Co. Nov. & Dec.	9	✓	750.00					
					12.50	" 2	Richard Hall Rpt. grow.	260	✓			12.50			
					36.0	" 2	City Telephone Co.	1							
					75.00	" 2	Mable Smith, Steno Salary	2							
					251.54	" 2	First Nat. Bank Nov. & Dec.	3			250.00				
					32.42	" 2	Office Supply Co.	4							
					54.25	" 3	A. Williams Nov. ap.	5	✓						
					15.50	" 3	City Garage	6							
					50.00	" 31	Jefferson Bldg. Corp Jan. Rent	7							
					28.50	" 31	Mrs. Smith, Cashier	8							
					242.50	" 31	American System Co.	9							

**Fig. 16**  
Disbursement Record—Showing  
left side of form.

TRANSACTION No. 13—The cashier having made Petty disbursements during the month totaling \$28.50, a check is drawn in the proper amount to bring the Petty Cash fund back to its original amount. The entry charging off the amounts expended from Petty Cash is illustrated in Fig. 20.

TRANSACTION No. 14—This transaction illustrates the method of recording the purchase of any article for permanent use in the office, such as desks, chairs, typewriters, or as in the illustration, the purchase of the AMERICAN SYSTEM.

**UNDERWRITING AND EXPIRATION CONTROL**—For maintaining an accurate and dependable check on the correctness of the underwriting results as shown on the Company Accounts Current, and a Controlling record of Expirations, the form illustrated in Fig. 17 is to be highly recommended. In medium sized agencies the use of this form entails very little additional effort in its up-keep, and the information obtained is very useful. In extremely large agencies, however, the use of this form may be found to entail too much detail work, and the results obtained not commensurate with the amount of labor required in its maintenance. For this reason, the inclusion of this form in the AMERICAN SYSTEM is optional with the user. Its inclusion or omission in no way affects the operation of the system, it being an auxiliary record used for convenience in proving the correctness of the underwriting results.

## ASSEMBLAGE AND DISPOSAL OF FIGURES---Con.

[illegible]

**Fig. 16**  
Disbursements Record.  
Showing right side of Form.

The proper procedure in the maintenance of this record is to enter each policy transaction thereon, making distribution of premiums in the proper commission column. Return premiums to be recorded on the reverse of the form. The net premiums (Gross premiums, less returns) and the net commissions obtained from this form, should equal the net premiums and net commissions as shown in the summary of the Accounts Current. This comparison should be made, and the correctness of the Accounts Current thus determined before making the entry to record the underwriting activities for the month.

When it is desired to use this form as a Controlling record of expirations, it is necessary to use separate sheets for each class of term policies. That is, one for annual policies, another for three year, and still another for five year terms. Each sheet is filed with the triplicates of the invoices (see Fig. 4) by the proper date of expiration.

In the illustration of this form (Fig. 17), only one side of the form is shown. The reverse side is similar in form, and is used to record policies cancelled and return premiums allowed. It is, of course, necessary to deduct the return premiums and return commissions from the earned premiums and earned commissions to arrive at the net results from operations. It is the amounts thus determined that should be compared with the totals of the Company Accounts Current (see Underwriting Recap. Fig. 18.)

The columns "Gross Commissions" and "Gross Premiums" are for the premiums produced by Brokers, Sub-Agents and Solicitors. The totals of these columns after deducting return premiums and return commissions, will agree with the summary of Sub-producer's Accounts Current. (See Fig. 19.)

# ASSEMBLAGE AND DISPOSAL OF FIGURES---Con.

1

UNDERWRITING AND EXPIRATION CONTROL

MONTH OF January 19 24 One Year Term

	NAME OF ASSURED	COMPANY	POLICY No.	OFFICE No. OR BROKER	Expiration		DISTRIBUTION OF POLICY AND ENDORSEMENT PREMIUMS AS ISSUED								GROSS COMMISSIONS		GROSS PREMIUMS	
					Day	Yr.	10%	12 1/2%	15%	17 1/2%	20%	30%	25%					
	Hallwell Supply Co.	Home	8265	Office	1	1924						75.00						
	No.	No.	8566	No.	1	"			62.50									
	Frank J. Hall	Actua	15145	A. Williams	1	"							45.00	6.75	45.00			
	Southern Supply Co.	No.	15146	Office	2	"			263.00									
	P.L. Hawks	Travelers	56234-23	Alfred F. Lewis	2	"			18.60	9.00				2.76	27.60			
	Geo. P. Burke	Home	8267	No.	2	"							32.50	4.88	32.50			
	James H. Co.	Travelers	588471	A. Williams	2	"						76.50		16.30	76.50			
	Warden Const. Co.	No.	4819426	Office	3	"		476.00										
	Central Clothing Co.	No.	74514376	A. Williams	3	"						19.80		3.96	19.80			
	J.C. Hall	U. S. F. & F.	Bond	Office	3	"							80.00					
	Wm. Turner	Actua	15147	No.	3	"							24.50					
	No.	Home	8268	No.	3	"				250.00								
	Sam Small	Travelers	56235-23	Alfred F. Lewis	4	"			18.60	63.90				8.75	82.50			
	Wilton Auto. Co.	No.	4819477	Office	4	"		362.00										
	Office Supply Co.	Actua	15148	No.	4	"			190.00									
	Price Printing Co.	Home	8269	R.G. Smith	4	"			36.50					3.65	36.50			
	Art Printing Co.	No.	8270	L.M. Lane	5	"				76.50				7.65	76.50			
	N. A. Byers	Actua	15149	Office	5	"							22.50					
							Broker's Gross Commis. 53.20											
							Broker's Gross Premiums 396.90											
							838.50	552.00	37.20	474.40	76.30	204.50	22.02	90				
							104.81	82.80	6.50	94.88	28.89	51.13	36.90					

Fig. 17

The reader's attention is also directed to the fact that in working up this illustration no return premiums have been considered, although on the Underwriting Recap., Fig. 18, return premiums are shown. As previously explained, these return premiums should be listed in detail on the reverse side of the form, Fig. 17. Very little could be gained by making a separate exhibit of the return premiums, so we must assume that all of the returns shown in columns 2 and 5, Fig. 18, have been properly entered on the reverse side of the Underwriting and Expiration Control form.

**RECAP.-UNDERWRITING OPERATIONS**—In the foregoing sections of this booklet we have shown the advantage of recording policy transactions on the Company accounts as they occur, or at regular intervals. The next step to be considered is the bringing together, in a concise form, the final results of those transactions, and the proper method to pursue in recording them in the General or Controlling records.

Under ordinary methods the usual procedure is to make up the Company accounts on the required reporting forms, after all transactions for the month have been completed. The Accounts are summarized and an entry made for each, charging Accounts Receivable and crediting the Company, and Commission account. These methods make it necessary to make such an entry for every Company represented, and have the added disadvantage of furnishing no complete exhibit of Underwriting Operations for monthly comparisons.

## ASSEMBLAGE AND DISPOSAL OF FIGURES---Con.

[illegible]

**Fig. 18**

The Recap. of Underwriting Operations is designed to bring together, in a clear and concise exhibit, the net results of all policy transactions consummated during the month. This exhibit is made up from the Accounts Current summaries, and the totals of the columns indicated by the instructions, form one Journal entry to record the Underwriting activities for the month. Thus, regardless of the number of Companies represented, only one entry is necessary. This exhibit also furnishes an excellent means of making comparisons with the Underwriting results of other months, and gives an analysis of commissions earned by classes.

The reader should trace the entries from this exhibit to the Perpetual Statement Journal, Fig. 20, in order that the final disposition of the figures may be clearly understood.

RECAP.-INSURANCE BROKERAGE WRITINGS—The handling of business written by sub-producers presents many perplexing problems. This is especially true of agencies who employ more than one class of sub-producer. By way of distinguishing between these different classes, we will classify as "Brokers," those who are usually termed Sub-Agents and also those Agents who frequently place business through "Our" office. The methods of recording their respective writings are the same, and in each case the Broker or Sub-Agent is responsible for the collection of the premiums produced by him, and is to remit to the principal Agent the amount of all premiums less his commission. We will classify as "Solicitors," those who solicit business, for the Agent, on straight commission basis, and who are not responsible for the collection of premiums.

The form illustrated in Fig. 19 is designed to bring all business produced by Brokers and Solicitors,



## ASSEMBLAGE AND DISPOSAL OF FIGURES---Con.

[illegible]

**Fig. 19**

together in one exhibit, and at the same time, separate them in such a manner that the business produced by each is easily determined in the aggregate.

By referring to Column No. 3, Fig. 18 (Underwriting Recap.) it will be seen that the total Net Premiums written, including those written by Brokers and Solicitors, are Debited (charged) to Account No. 5 Accounts Receivable Due from Customers. Since some of these items are to be collected by Brokers, and as the Broker will deduct his commission before remitting, it is clear that the total amount thus charged to Accounts Receivable will not be collected. That account must be adjusted by the amount of the commissions due the Broker. The commissions due Solicitors does not affect the Accounts Receivable account. To properly record Brokerage transactions, and to adjust the other accounts affected, under ordinary methods requires a more or less technical knowledge of accounting. However, through the use of the Recap. of Brokerage Writings, the desired results are obtained with little effort, and no previous knowledge of accounting is necessary.

This exhibit is made up from the summaries of accounts with the various Brokers, Sub-Agents, and Solicitors, previously explained under "Broker's and Sub-Agents Individual Records." From a study of this form, it will be seen that in Columns 1 to 6, inclusive, the same information relating to both classes of Sub-Producers is recorded. Column 6, shows the total commissions due both Brokers and Solicitors, and forms a Debit to the Agent's Commission Account. The next step is to set up the amounts due from Brokers, adjust the other accounts affected, and set up the amount of commissions to be paid to the Solicitors. Column No. 7 forms a Credit to Accounts Receivable (Customers), and takes out of that account the net premiums written by Brokers. Column No. 9 sets up in another account (accounts Due From Brokers) the total

## ASSEMBLAGE AND DISPOSAL OF FIGURES---Con.

amount to be collected from all Brokers. Column No. 10 sets up the amount of commissions to be paid to Solicitors. The detailed accounts are, as previously explained, carried with each sub-producer, so the posting of the totals from the Recap. form to the Controlling Ledger accounts, indicated in the posting instructions, enables the Agent to maintain an accurate check on the correctness of each of the individual accounts.

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**PERPETUAL STATEMENT JOURNAL**—A mass of figures, viewed in detail, showing each class of transaction at its source is apt to be confusing to one not trained in reading and interpreting financial statements. However, these same figures brought together in an orderly manner, showing at a glance the condition of the business at the beginning of the month, a condensed statement of all phases of its activities during the month, and the condition of the business again at the end of the month, can be readily understood by anyone. A statement of this kind gives the manager a clear-cut picture of his business. He can view the progress made from month to month, and detect instantly any unfavorable condition existing in his business, which without the aid of this statement would be hid beneath the mass of detail.

The columnar Journal form, shown in Fig. 20, is called a Perpetual Statement Journal because it gives a condensed statement of Profit and Loss, and a Balance Sheet at the end of each calendar month. The net results appearing on this statement are cumulative. Income and Expense items are, of course, closed at the end of each year; but the Real accounts (Assets and Liabilities) are carried on from year to year. In this manner, the Perpetual Statement Journal not only shows the results of the current year's activities, but also shows the progress of the Agency from its very beginning.

This form is used in making the Opening Entry at the time of installing the American System. (The method of installation is discussed fully in the following pages).

After the opening entries have been completed, and the items posted to the various Controlling Ledger accounts, the Perpetual Statement Journal is used to make any entries the nature of which have not been provided for elsewhere in the system, such as expense items that have been incurred during the month but are unpaid on the last day. Very frequently it is desired to burden some particular month with expenses not paid until the month following. This is accomplished by a Journal entry charging the expense accounts affected, and crediting Accrued Liability Items. Thus the true financial condition is shown at the end of the month. The payment of these items will be recorded in the Disbursements Record and Debited (charged) to Accrued Liability Items account. There are many other kinds of transactions, incidental to the operation of an Insurance and Real Estate agency, that would be handled through the use of the Perpetual Statement Journal. Real Estate transactions, investment brokerage transactions and adjustments to the Controlling Ledger accounts are all recorded in this manner.

By studying the illustration of the Perpetual Statement Journal (Fig. 20) in connection with the other forms, and tracing the figures from them into the Journal, it will be seen that totals of the various columns of Cash Received, Cash Disbursed, Underwriting Recap. and Brokerage Recap. forms are carried to the Journal and there distributed in the proper columns of that form, and posted to the ledger accounts specified in the instructions printed at the foot of the columns from which the figures are taken. After all items appearing in the Journal have been posted, the columns are totaled and the balances carried forward into the next month. Thus, by bringing forward the balances from month to month, a perpetual financial statement is maintained. It also serves as a check on the correctness of all the General or Controlling Ledger accounts, each column of the Journal controlling an account or a group of accounts in the Ledger. In order that our explanations may be more easily understood we have set up model "T" accounts on Pages 22, 23 and 24, showing each entry, appearing in the Perpetual Statement Journal, posted to the proper ledger accounts, and in Fig. 21 we have illustrated the Financial Statement which is made up monthly by transferring the balances from the various Ledger accounts to the corresponding account number on that exhibit. We have placed brackets around the accounts and groups of accounts and have indicated, by numbers, the Journal column which controls each. The reader should study carefully the text, and illustrations of the various forms discussed under "Assemblage and Disposal of Figures," before attempting to proceed with the following pages dealing with the Installation of the American System.

# ASSEMBLAGE AND DISPOSAL OF FIGURES---Con.

## PERPETUAL STATEMENT JOURNAL

DATE:	DESCRIPTION:	Folio	A S S E T S																
			CASH ON HAND AND IN BANK		NOTES RECEIVABLE		ACCOUNTS RECEIVABLE		INVESTMENTS		FIXED ASSETS								
			DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT							
1924																			
Jan. 1	Cash On Hand	2	12.00																
	Cash In Bank (1st Nat.)	3	1850.00																
	Notes Receivable	4			50.00														
	Accounts Receivable (Customers)	5					3400.00												
	" (Brokers)	6					1566.3												
	Liberty Bonds	8							500.00										
	Office Equipment	11														750.00			
	Cigency Plant (Goodwill, etc.)	10														7500.00			
	Notes Payable	45																	
	Accounts " (Companies)	46																	
	Commissions Due Solicitors	47																	
	John Doe, M.Y. & Son	51																	
	Opening entry John Doe																		
	Insurance - Cigency as of Jan.																		
	1st. Transferring notes to new system																		
Jan. 31	Cash Received	2	655.13																
	Notes Receivable	4			125.00														
	Amount Paid Bank	29																	
	Cash In Bank (Deposits)	3	778.63																
	Accts. Receivable (Customers)	5					573.00												
	Accts. Receivable (Brokers)	6					1566.3												
	Notes Receivable	4			50.00														
	Interest Collected	41																	
	Notes Rec. Discounted	48			125.00														
	Cash On Hand (Deposits)	2		655.13															
	Collection Record Folio #1																		
Jan. 31	Accounts Payable (Companies)	46																	
	Notes Payable	45																	
	Accounts Receivable (Customers)	5					12.50												
	Commissions Paid Solicitors	47																	
	Petty Cash Fund	1	78.50																
	Office Equipment	11														242.50			
	Salaries (Office)	15																	
	Auto. Maintenance	25																	
	Stationery & Printing	17																	
	Telephone & Telegraph	24																	
	Interest Paid	28																	
	Rent	20																	
	Cash In Bank	3		1985.81															
	Accounts Taken	42																	
	Disbursements Recorded																		
Jan. 31	Accounts Receivable (Customers)	5					2177.05												
	Net Fire Commissions	36																	
	Net Casualty "	36																	
	Net Surety "	36																	
	Accounts Payable (Co.)	46																	
	Underwriting Recap. Folio #1																		
Jan. 31	Commission Account	36					1797.2												
	Accounts Receivable (Brokers)	6																	
	Accts. Receivable (Customers)	5					201.50												
	Commissions Due Solicitors	47																	
	Brokerage Recap. Folio #1																		
Jan. 31	Postage	27																	
	Traveling Expense	26																	
	Charities & Donations	18																	
	Petty Cash Fund	1	28.50																
	Petty Cash Expenditures for 1st month of Jan.																		
	Totals		3374.26	2669.44	1750.00	1750.00	5925.90	931.13	500.00			8492.50							
	Balance forward to Feb.		704.82				4994.77		500.00			8492.50							
			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)							

Fig. 20  
Left Side of Form.

## ASSEMBLAGE AND DISPOSAL OF FIGURES---Con.

[illegible]

**Fig. 20**  
Right Side of Form



# ASSEMBLAGE AND DISPOSAL OF FIGURES---Con.

The following Ledger accounts illustrate the Postings from Perpetual Statement Journal, Fig. 20, and are also used in completing the Financial Statement Exhibit Fig. 21.

## Petty Cash Fund—Account No. 1

Jan. 31 Disbursements.....	\$ 78.50	Jan. 31 Postage, etc.....	\$ 28.50
		Jan. 31 Balance.....	50.00
	<u>\$ 78.50</u>		<u>\$ 78.50</u>
Feb. 1 Balance.....	\$ 50.00		

## Cash on Hand (Undeposited)—Account No. 2

Jan. 1 Balance.....	\$ 12.00	Jan. 31 Deposits.....	\$ 655.13
Jan. 31 Receipts.....	655.13	Jan. 31 Balance.....	12.00
	<u>\$ 667.13</u>		<u>\$ 667.13</u>
Feb. 1 Balance.....	\$ 12.00		

## Cash In Bank—Account No. 3

Jan. 1 Balance.....	\$ 1,850.00	Jan. 31 Disbursements.....	\$ 1,985.81
Jan. 31 Deposits.....	778.63	Jan. 31 Balance.....	642.82
	<u>\$ 2,628.63</u>		<u>\$ 2,628.63</u>
Feb. 1 Balance.....	\$ 642.82		

## Notes Receivable—Account No. 4

Jan. 1 Balance.....	\$ 50.00	Jan. 31 Collected.....	\$ 50.00
Jan. 31 Receipts.....	125.00	Jan. 31 Balance.....	125.00
	<u>\$ 175.00</u>		<u>\$ 175.00</u>
Feb. 1 Balance.....	\$ 125.00		

## Notes Receivable Discontinued—Account No. 4-A

Jan. 31 Notes Discontinued.....	\$ 125.00
---------------------------------	-----------

## Accounts Receivable (Customers)—Account No. 5

Jan. 1 Balance.....	\$ 3,400.00	Jan. 31 Collections.....	\$ 573.00
Jan. 31 Return Premiums.....	12.50	Jan. 31 Broker's Acts.....	201.50
Jan. 31 Premiums Written.....	2,177.05	Jan. 31 Balance.....	4,815.05
	<u>\$ 5,589.55</u>		<u>\$ 5,589.55</u>
Feb. 1 Balance.....	\$ 4,815.05		

## Accounts Receivable (Brokers)—Account No. 6

Jan. 1 Balance.....	\$ 156.63	Jan. 31 Collections.....	\$ 156.63
Jan. 31 Jan. Premiums.....	179.72	Jan. 31 Balance.....	179.72
	<u>\$ 336.35</u>		<u>\$ 336.35</u>
Feb. 1—Balance.....	\$ 179.72		

## Liberty Bonds (Investments)—Account No. 8

Jan. 1 Balance.....	\$ 500.00
---------------------	-----------

## Agency Plant—Account No. 10

Jan. 1 Appraisal.....	\$ 7,500.00
-----------------------	-------------

## Office Equipment—Account No. 11

Jan. 1 Inventory.....	\$ 750.00	Jan. 31 Balance.....	\$ 992.50
Jan. 31 Disburse. Record.....	242.50		
	<u>\$ 992.50</u>		<u>\$ 992.50</u>
Feb. 1 Balance.....	\$ 992.50		

# ASSEMBLAGE AND DISPOSAL OF FIGURES---Con.

## Office Salaries—Account No. 15

Jan. 31 Disbursements..... \$ 75.00

## Stationery and Printing—Account No. 17

Jan. 31 Disbursements..... \$ 32.50

## Charities and Donations—Account No. 18

Jan. 31 Petty Cash..... \$ 3.00

## Rent Account—Account No. 20

Jan. 31 Disbursements..... \$ 50.00

## Telephone and Telegraph—Account No. 24

Jan. 31 Disbursements..... \$ 3.60

## Auto. Maintenance—Account No. 25

Jan. 31 Disbursements..... \$ 15.50

## Traveling Expense—Account No. 26

Jan. 31—Petty Cash..... \$ 5.50

## Postage—Account No. 27

Jan. 31 Petty Cash..... \$ 20.00

## Interest Paid—Account No. 28

Jan. 31—Disbursements..... \$ 1.54

## Discount Paid—Account No. 29

Jan. 31—1st Nat. Bank..... \$ 1.50

## Commissions Earned—Account No. 36

Jan. 31 Broker's Com.....	\$ 50.61	Jan. 31 Fire Com.....	\$ 192.58
Jan. 31 Balance.....	313.23	Jan. 31 Casualty Com.....	151.26
		Jan. 31 Surety Com.....	20.00
	<u>\$ 363.84</u>		<u>\$ 363.84</u>
		Feb. 1 Balance.....	\$ 313.23

## Interest Collected—Account No. 41

Jan. 31 Receipts Record..... .50

## Cash Discounts Taken—Account No. 42

Jan. 31 Disburse. Record..... .08

## Notes Payable—Account No. 45

Jan. 31 Disbursements.....	\$ 250.00	Jan. 1 Balance.....	\$ 250.00
	<u>\$ 250.00</u>		<u>\$ 250.00</u>

# ASSEMBLAGE AND DISPOSAL OF FIGURES---Con.

## Accounts Payable—Account No. 46

Jan. 31 Disbursements.....	\$ 1,170.00	Jan. 1 Balance.....	\$ 1,520.00
Jan. 31 Balance.....	2,163.21	Jan. 31 Net Premiums.....	1,813.21
	<u>\$ 3,333.21</u>		<u>\$ 3,333.21</u>
		Feb. 1 Balance.....	\$ 2,163.21

## Commissions Due Solicitors—Account No. 47

Jan. 31 Disbursements.....	\$ 54.25	Jan. 1 Balance.....	\$ 54.25
Jan. 31 Balance.....	28.83	Jan. 31 Jan. Commissions.....	28.83
	<u>\$ 83.08</u>		<u>\$ 83.08</u>
		Feb. 1 Balance.....	\$ 28.83

## John Doe, Net Worth—Account No. 51

Jan. 1 Net Worth.....	\$ 12,394.38
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## FINANCIAL STATEMENT FOR THE PERIOD ENDING THE 31<sup>st</sup> DAY OF January 1924

ASSETS					PROFIT AND LOSS STATEMENT				
LEDGER	CLASSIFICATION OF ACCOUNTS	V	DETAIL	TOTAL	LEDGER	CLASSIFICATION OF ACCOUNTS	V	DETAIL	TOTAL
Acct No					Acct No				
	CURRENT ASSETS:					COMMISSION AND BROKERAGE:			
	CASH				36	Insurance Commissions	2	313.23	
1	Petty Fund		50.00		37	Real Estate Commissions			
2	On Hand (undeposited)		12.00		38	Rental Commissions			
3	In Banks		642.82		39-41	Investment Brokerage			
	TOTAL			\$ 704.82		TOTAL			313.23
	NOTES RECEIVABLE					OTHER INCOME:			
4	Notes Receivable		125.00		41	Interest	5	50	
4a	Less Notes Receivable Discounted		125.00		42	Discount		08	
	TOTAL			\$ —	43	Rents			
	ACCOUNTS RECEIVABLE				44	Other			
5-6	( Customers )		481.805			TOTAL			\$ 58
6	( Brokers )		179.72			GROSS TRADING PROFIT			\$ 313.81
	TOTAL		499.477						
7	Less Allowance for Doubtful Accts		72.6			GENERAL EXPENSE			
	TOTAL			\$ 499.477		ADMINISTRATIVE			
	INVESTMENTS:				15	Salaries (Office)		75.00	
8	( Liberty Bonds )		500.00		16	Taxes (Federal)			
9	( )				17	Stationery and Printing		32.50	
	TOTAL			\$ 500.00	18	Charities and Donations		3.00	
	FIXED ASSETS					TOTAL			110.50
10	( Agency Plant )		7500.00			SELLING EXPENSE			
11	Office Equipment		792.50		19	Salaries			
12	Automobiles				20	Rents		50.00	
13	Real Estate				21	Heat, Light and Water			
	TOTAL		8492.50		22	Insurance			
14	Less Allowance for Depreciation		72.6		23	Advertising			
	TOTAL			\$ 8492.50	24	Telephone and Telegraph		3.60	
	TOTAL ASSETS			14692.09	25	Automobile Maintenance		15.50	
	LIABILITIES				26	Traveling		5.50	
	CURRENT LIABILITIES				27	Postage		2.00	
45	Notes Payable	18			28	Interest		1.54	
46	Accounts Payable		2163.21		29	Discounts		1.50	
47	Reserve for Solicitors Commission		28.83		30	Taxes (State and Local)			
48	Accrued Liability Items				31	Allowances and Depreciation			
	TOTAL			\$ 2192.04	32	Legal			
	FIXED LIABILITIES:				33	Incidentals			
49	Long Time Notes				34				
50	Mortgages Payable				35				
	TOTAL								
	BUSINESS NET WORTH:								
51	Capital Account Net		12394.38			TOTAL			47.64
52	Surplus Account					TOTAL GENERAL EXPENSE			208.14
53	Current Profit or Loss		105.67			NET OPERATING PROFIT OR LOSS			105.67
	TOTAL BUSINESS NET WORTH			\$ 12500.05		TOTAL			313.81
	TOTAL LIABILITIES			14692.09					

Fig. 21

# INSTALLATION OF AMERICAN SYSTEM

The installation of The American System as described herein requires only the preparation of a trial balance in the usual way from the existing records kept in the office, from which the net results are distributed to the various columns in the Perpetual Statement Journal, Fig. 20, and then posted to the Controlling Accounts in the General Ledger. The System will thereafter function thoroughly upon all transactions consummated, and no further upkeep of existing methods of record-keeping will be necessary, except for reference, until this System shall have absorbed the entire business of the office. This procedure is recommended as it eliminates the cost of transferring the records from existing methods.

If the record-keeping methods of the office are such that no trial balance or statement of business operations have ever been prepared, the data necessary for starting this system is best obtained in the following manner:

1st. Determine the exact amount of Cash on Hand (not in Banks) on the first day of the month in which the installation is being made.

2nd. Determine the actual amount of bank balances.

3rd. Determine the amount of all notes due the office. If any notes have been discounted, the amount left unpaid should be added to the amount of notes not discounted and the entire amount set up as Notes Receivable. The amount of the unpaid discounted notes should be set up as a credit in the account labeled Notes Receivable Discounted. In this manner the contingent liability for the discounted notes is clearly shown, and the difference between the two accounts will equal the amount of notes actually held by the office.

4th. Determine the exact amount of uncollected premiums due from Customers.

5th. Determine the exact amount of premiums due from Brokers. (Net balances, or premiums less commissions, for which the Brokers are responsible.)

6th. Next determine the amount of all other accounts owing to the office, except those previously mentioned, and classify as Miscellaneous Accounts Receivable.

7th. Determine the value of assets owned by the agency that are in the nature of investments, such as stocks and bonds, and other securities.

8th. Determine the value of the office furniture and fixtures.

9th. Determine the value of all real estate owned by the business, based on a fair market price.

10th. Determine the commercial value of the Agency Plant, (Expirations, and Goodwill) based on its net annual commission income. (From one to one and three-quarters time the average annual net commissions is considered a fair valuation under ordinary circumstances).

11th. Determine the total amount of all obligations evidenced by notes owing to others.

12th. Determine the actual net amount due all Companies, other agents or brokers.

13th. Determine the actual net amount of commissions due to solicitors. (Not commissions due sub-producers who are responsible for the collection of their premiums.)

14th. Determine the amount of all obligations, other than those just mentioned, due to others, and classify as Miscellaneous Accounts Payable.



# INSTALLATION OF AMERICAN SYSTEM---Con.

15th. If the business is incorporated, the capital is known and should be set up in the statement as "Capital Stock Issued," and the Surplus or profits left with the business will be the difference between the columns as shown in the following exhibit.

16th. If the business is not incorporated, as is the case in our illustrations, the extension of Net Worth is determined by the difference between the columns as shown in the exhibit.

## EXHIBIT OF AN ASSUMED FINANCIAL STATEMENT: (Used in the "Opening Entry," Fig. 20)

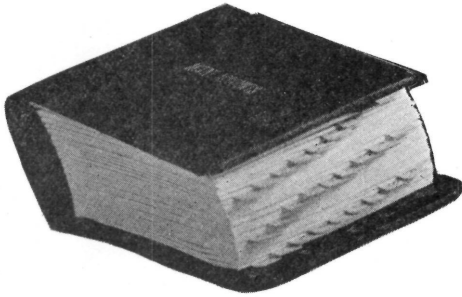
1. Cash on Hand (Undeposited).....	12.00	
2. Cash In Banks.....	1,850.00	
3. Notes Receivable (No discontinued notes on hand).....	50.00	
4. Accounts Receivable (Customers).....	3,400.00	
5. Accounts Receivable (Due from Brokers).....	156.63	
6. (None)		
7. Investments (Liberty Bonds).....	500.00	
8. Office Equipment.....	750.00	
9. (None)		
10. Agency Plant.....	7,500.00	
11. Notes Payable.....		250.00
12. Accounts Payable (Due Companies).....		1,520.00
13. Commissions Due Solicitors.....		54.25
14. (None)		
15. (Agency not Incorporated. Capital extended as Net Worth.)		
16. John Doe, Net Worth.....		12,394.38
Total Resources and Liabilities.....	14,218.63	14,218.63

After having completed the exhibit, shown above, in accordance with the instructions, the figures are distributed in the Perpetual Statement Journal in the manner illustrated in Figure 20.

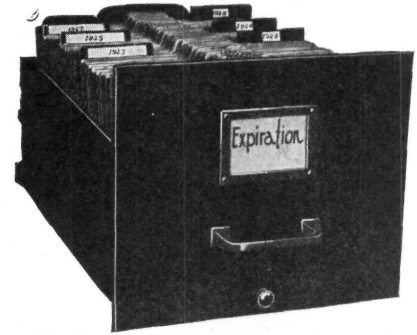
In the model Opening Entry, that we have used in our illustration, we have not included any expense or income items, as the installation in this case, is being made as of January 1st. In actual practice the installation may be made at any time, and in such cases it may be desired to show the operating results from the first of the year up to the time of installation, so that final results will contain the entire year's activities. In addition to determining the Assets and Liabilities, it would be necessary to determine the Expenses incurred and the Income accruing from January 1st. to the date of installation. The expense items would be added to the Asset side of the exhibit, and Income to the Liability side. The method of determining Net Worth would be the same as previously explained. Our statement that "Installation may be made at any time" will, of course be understood to mean that installation may be made at the beginning of any month. The figures used in the opening entry must be taken as of the first day of the month in which installation is being made, except the Expense and Income figures under conditions just explained.

Any readers who desire additional explanations of points not entirely clear, are invited to address their inquiries to the Home Office of the American System Co., Inc., Roanoke, Virginia.

# MISCELLANEOUS ILLUSTRATIONS OF AMERICAN METHODS



The above illustration shows the "Active Account" binder which contains the Customer's account, Fig. 2, in alphabetical order until fully paid.



Expiration File, showing the method of filing Expiration records (Fig. 4) by month and year, insuring dependable records of expiring policies.

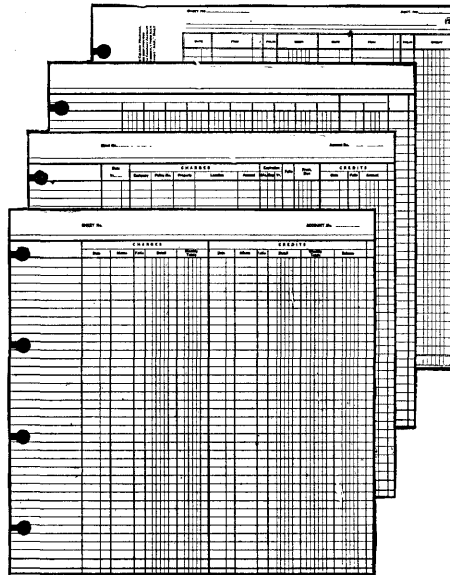
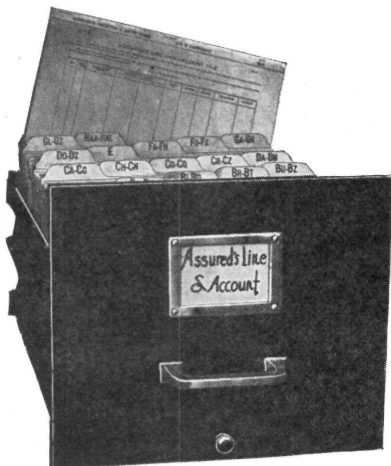
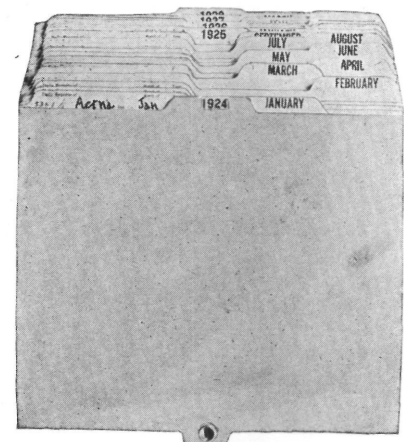


Plate and Machine ruled forms specifically designed to meet the individual requirements.



Assured's Line File as it appears containing Duplicate of invoice (Fig. 2) after being placed in Assured's Line and Account folder, Fig. 3.



A time saving method of filing Daily Reports, by Companies and by months and years of expiration.

# THE PROOF OF THE PUDDING

A few fac-simile letters from some of the users of the American System, and some officials of Insurance Companies to whom the American System has been submitted for their criticism and recommendations.

2-21-10-

WM. H. PALMER, President  
E. B. ADDISON, Vice-President

B. C. LEWIS, JR., Secretary  
J. C. WATSON, Treasurer

J. M. LEAKE, General Agent  
W. F. HILL, Asst. General Agent

INCORPORATED 1832

## VIRGINIA FIRE & MARINE INSURANCE COMPANY

HOME OFFICE: RICHMOND, VA.

W. Linden Allen & L. O. Allen, Agents  
Martinsburg, Va.

May 5, 1924.

Mr. George G. Painter, Secy-Treas.,

American System Company,

Roanoke, Virginia.

Dear Sir:

I have been using the American System for a sufficient length of time to know its value and feel that there is every reason for believing that it is one of the greatest labor and time saving devices on the market. It forms a ready system of having your records at a glance and it now seems impossible for us to work without it.

It is a pleasure to recommend this system to any firm wishing a good substantial system of recording and filing all business and collecting all data daily for making out reports, without a great deal of bookkeeping as is usually necessary for a well regulated business.

Very truly yours,

*W. Linden Allen*

OHIO STATE PHONE 2719, BELL MAIN 820

**Evans**  
MONEY LOANED ON REAL ESTATE

ESTABLISHED 1874

THE WM. H. EVANS & SONS CO.  
INSURANCE, REAL ESTATE, LOANS  
7 EAST MILL STREET  
AKRON, OHIO

FIRE  
AUTO  
BONDS  
TORNADO  
LIABILITY  
PLATE GLASS  
STEAM BOILER

December 27th, 1923.

American System Co., Inc.  
Roanoke, Va.

Gentlemen:-

As your records show, we installed one of your agency book-keeping systems in our office, and we have been more than pleased with its operation.

It has assisted us in several ways; it has assisted us in selling service, because it is a system that you know right where everything is and it has eliminated looking all over the office when asked a question.

It has saved us a lot of money by cutting down the amount of supplies we have had to buy in the past; it is a time-saver; in fact we might say that it has assisted us in every way that you represent.

We are glad to say that should we ever be asked or consulted about an agency system we certainly will place yours at the top of the list, and wish to take this opportunity to thank you for your wonderful co-operation in the past, and to extend to you the Season's Greetings.

Yours very truly,

CAS:EVF.

THE WM. H. EVANS & SONS CO.

By *W. H. Evans*  
Vice-Pres.

**MINNESOTA UNDERWRITERS AGENCY**  
OF THE  
**ST. PAUL FIRE AND MARINE INSURANCE CO.**

ST. PAUL MINNESOTA  
CAPITAL PAID IN \$ 4,000,000  
NET SURPLUS \$ 6,086,448  
RESERVES \$ 1,132,744  
TOTAL ASSETS \$ 21,413,890

INSURANCE AGENCY  
OF CHARLOTTESVILLE  
W. F. Carter, Jr. Manager  
218 Fifth Street, N. E.  
Telephone 157

CHARLOTTESVILLE, VA.

May 20, 1924.

American System Company, Inc.,

Roanoke, Va.

Attn. Mr. George G. Painter, Jr.:

Dear Mr. Painter:-

I have been anxious to write you ever since the American System, as applied to insurance accounting, installed in this Agency by you some six months ago, has been gotten in good working shape, to express my appreciation of its merits and labor saving characteristics; for, without doubt, it is superior in these respects to anything I have seen on the market.

Although my experience as an accountant probably enables me to form this estimate of its worth more promptly and decisively, yet it must not be lost sight of that the simplicity of the system would cause any layman to come to the same conclusion without much difficulty.

I feel that the system has materially reduced the time necessarily consumed in bookkeeping in the Agency, over that required for other systems tried, thereby reducing the cost of operation proportionately. If you ever develop a skeptic in my locality, and desire to refer him to an enthusiastic "booster" of the American System, send him in. I will "sell him", and he will eventually thank me for so doing.

Wishing you the measure of success that is due you, and with kind personal regards and best wishes, I am,

Yours very truly,  
W. F. Carter, Jr.

St P  
C/y

JOHN SCHUPP

PAUL L. SCHUPP

**SCHUPP & SON**  
**INSURANCE AND REAL ESTATE**

PHONE S. 28

Fidelity and Surety Bonds  
NO. 640 MARION STREET  
NEWPORT, KENTUCKY

RES. PHONE S. 2113-R

March 31, 1924.

Mr. George G. Painter, Sec'y., Treas.  
American System Company,  
Roanoke, Va.,

Dear Sir:-

In reply to your favor of the 21st with enclosures, we are attaching herewith our check for \$106.84 which is as per the attached invoice less the cash discount of 5%, together with the ten monthly notes which we will have no further use for.

We will be glad to have you return to us the receipted invoice in order that we will always have before us the stock numbers and description of the supplies which we will order from you from time to time.

We are well pleased with the system as far as it has gone and we believe that it is the only logical system for any insurance agency.

Trusting that our mutually pleasant business relations which have just begun will continue in the future, we are,

Yours very truly,

JOHN SCHUPP & SON,

By *J. Schupp*

PLS:S



OVER \$2,000,000 SURPLUS AND RESERVES AS TO POLICY HOLDERS

# Georgia Casualty Company

*More, Ga.*

W E SMALL, PRESIDENT

AUTOMOBILE  
PLATE GLASS  
BURGLARY  
LIABILITY  
PROPERTY DAMAGE  
WORKMEN'S  
COMPENSATION

OFFICE OF SUPERINTENDENT OF AGENTS

October 30th, 1923.

American System Company, Inc.,  
Roanoke, Virginia.

Gentlemen:

Mr. P. R. Tester.

I wish to acknowledge receipt of your letter of the 24th inst., also your complete list of forms, pamphlets and catalogs covering your Agency System and will advise that any time I am confronted with any questions from our General Agents as to where they can procure a good system of accounting I will go into the matter briefly with them and refer them to you for full details.

I have looked over your various forms and feel that I can recommend them very highly and I trust you will be successful in installing your system in many of the General Agencies of this Company.

You have my best wishes.

Yours truly,

*J. H. Andes*  
Ass't. Supt. of gents.

JHA/R

## PACIFIC FIRE INSURANCE COMPANY

ORGANIZED 1851

59 JOHN STREET

NEW YORK

C. V. MESEROLE, PRESIDENT  
L. R. BOWDEN, VICE PRESIDENT  
M. A. STONE, VICE PRESIDENT  
H. B. LAMY, JR., VICE PRESIDENT & SECRETARY  
L. P. TREMAINE, SECRETARY  
R. CHOLMELEY-JONES, ASST. SECRETARY

May 15, 1923.

Mr. P. L. Hawks.  
American System Co.,  
23 1/2 Church Ave.,  
Roanoke, Va.

Dear Mr. Hawks:

I have just gone over your Agency Accounting system with our Vice President and Secretary, Mr. H. B. Lamy, Jr. Mr. Lamy is very favorably impressed with the system, and at any time we receive inquiries about such matters, we shall be pleased to suggest to such parties that they get in touch with you.

The next time you are in New York I hope you will find time to stop in to see us, as you can explain this in much more detail than it was possible for me to do.

With best regards, I am

Sincerely yours,

*S. G. American*

SGA/ETW

OFFICE 5417

CITIZENS PHONES 127

RESIDENCE 4179

Established  
1916

Established  
1916

*The*  
**HESSNAUER INSURANCE AGENCY**

*Representing Companies of Known Reputation.*

GENERAL



INSURANCE

48 1-2 NORTH SANDUSKY STREET

DELAWARE, OHIO

May 8th

1924..

American System Company  
23 Church Avenue  
Roanoke, Va.

Gentlemen:-

I wish to have you know how much I am  
pleased with the System.

By having the American System, I have  
an important and essential part of my agency's  
work being taken care of in a most complete,  
accurate and accessible way, which is indeed very  
gratifying to me, and which is a great assistance  
in insurance office work.

Yours very truly

*Frank M. Hessnauer*

You may delay, but time will not."--Benjamin Franklin